

Economic Report

A weather report for life's highway

United Way Board Retreat

March 24, 2011

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Assistant City Manager for Development

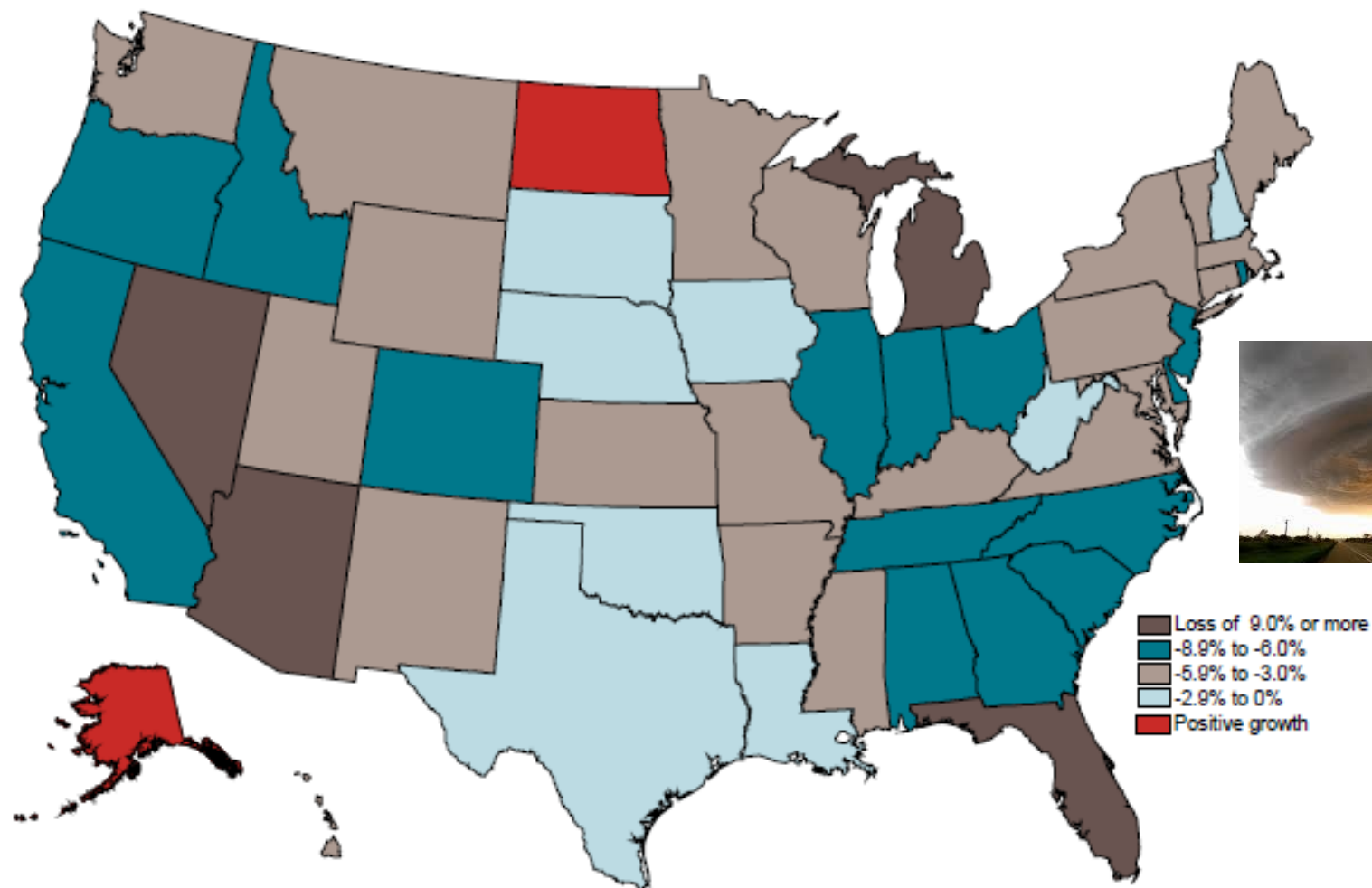
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U.S. Economic Outlook

University of Tennessee
Report to Governor 2011

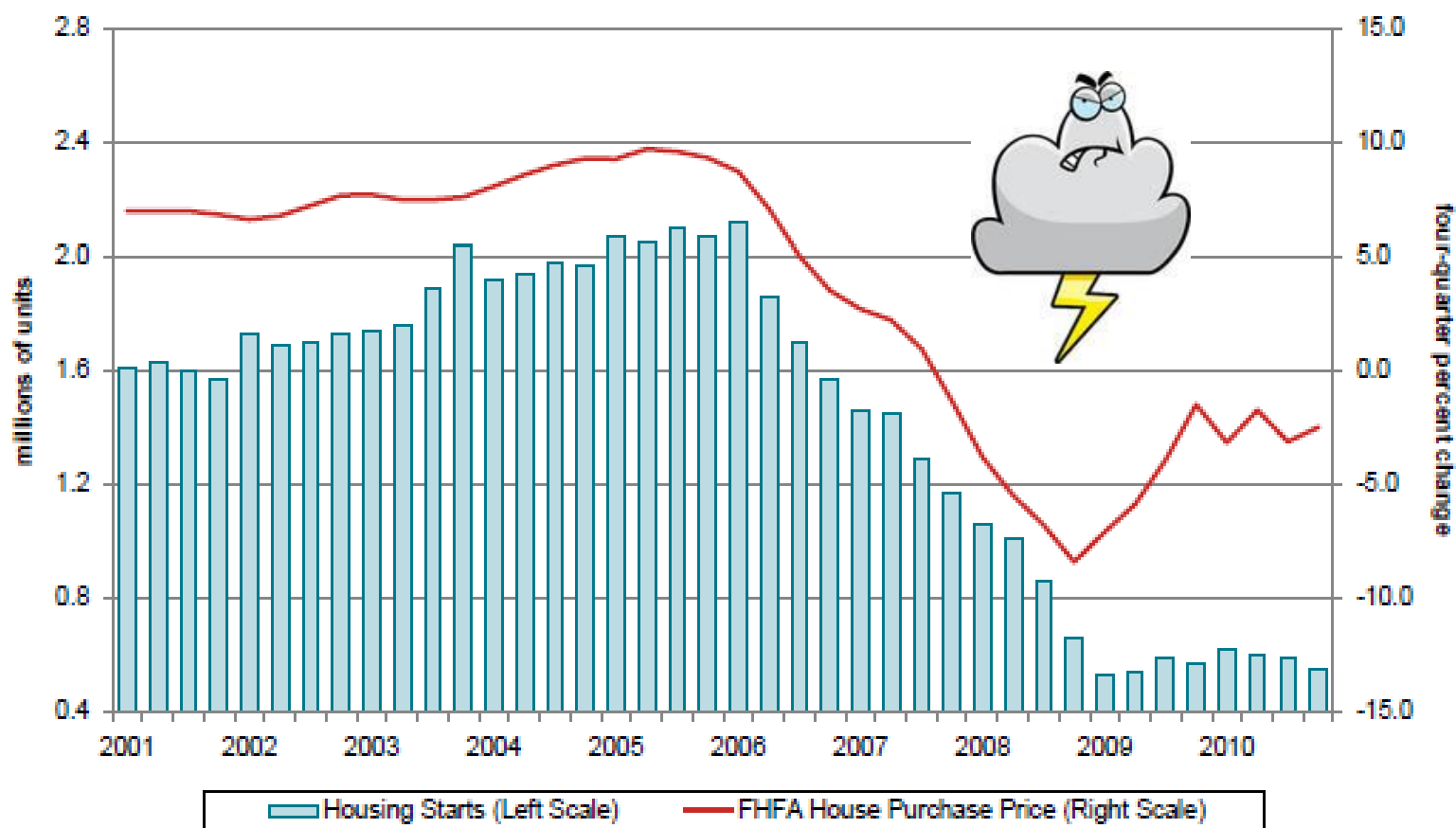


Figure 2.1. Most States Have Lost Jobs Since the Start of the Recession
(December 2007 to November 2010 growth)



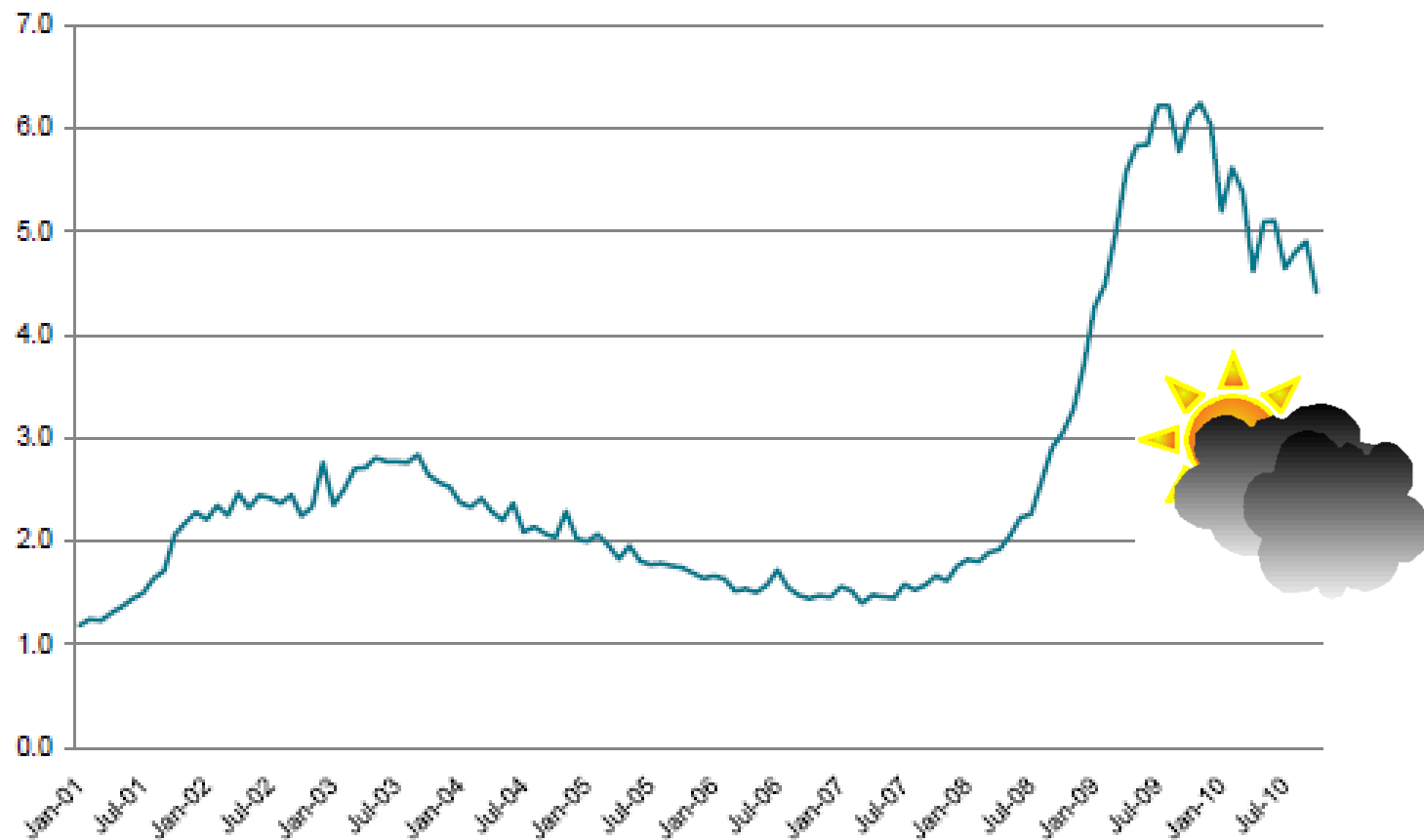
Source: Bureau of Labor Statistics.

Figure 1.4. Housing Starts Flattening Out



Note: Housing starts are seasonally adjusted at annual rates.
Source: Census Bureau, Federal Housing Finance Agency.

Figure 1.9. Number Unemployed per Job Opening Finally Trending Downward



Note: Seasonally adjusted.
Source: Bureau of Labor Statistics.



Report to the Governor – Feb 2011

U.S. Economic Outlook

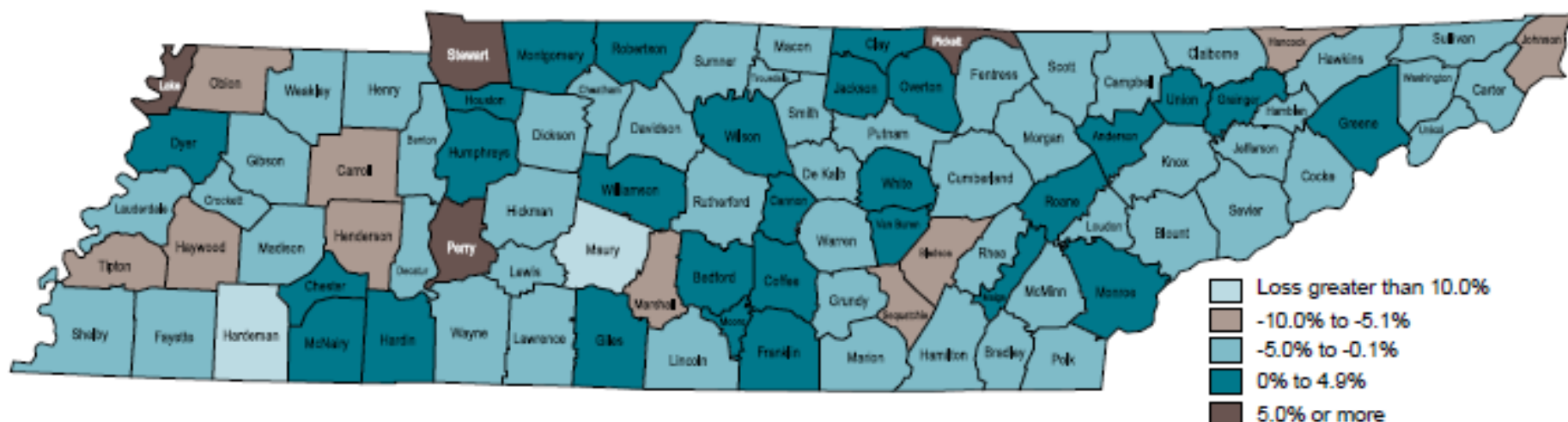
- ▶ **U.S. economy has been on the recovery path since mid-2009.**
- ▶ **Housing starts declined by 3.2 percent due to the glut driven by slow employment growth.**
- ▶ **Relative to last year's drop of 22.9 percent, the slower rate of decline is a sign that the housing market may stabilize.**
- ▶ **Economic growth is forecast at 3.2 percent in 2011. All major components of GDP are expected to produce positive growth.**
- ▶ **Consumer spending is projected to increase by 3.2 percent.**
- ▶ **Despite improvements in the overall economic outlook, unemployment will remain high at 9.3 percent in 2011.**
- ▶ **Because unemployment typically lags other indicators, it is projected to remain high for several years into the economic expansion.**

Tennessee's Short Term Economic Outlook

University of Tennessee
Report to Governor 2011



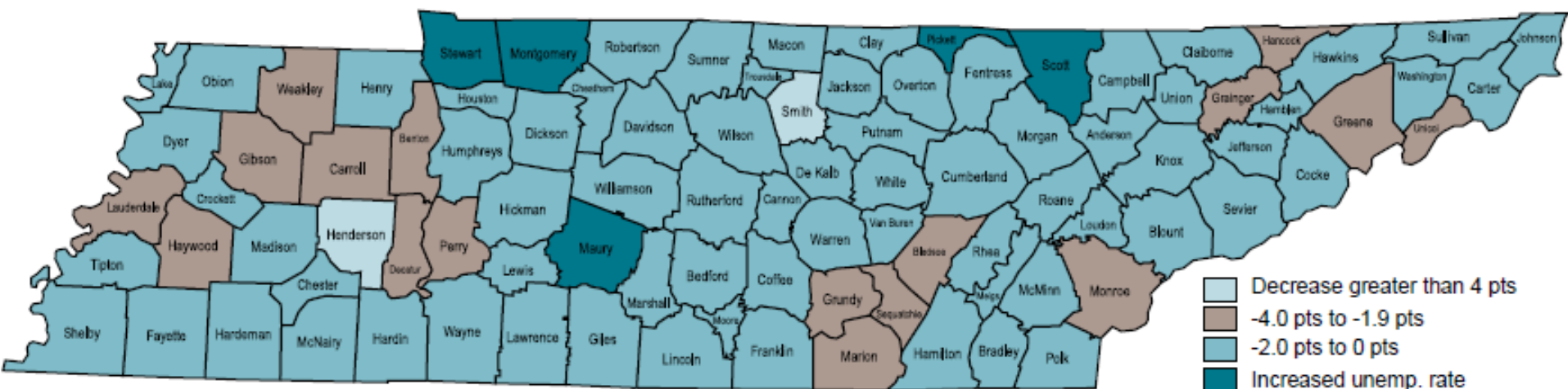
**Figure 2.2. One-Third of Tennessee Counties Have Experienced Job Growth
(March 2009 to March 2010)**



Note: Total employment covered by the state unemployment insurance program (incl. private and govt. owned establishments).
Source: Bureau of Labor Statistics.



Figure 2.4. Tennessee Counties See Unemployment Rates Trend Down



Note: 12-month change (in points) in the county unemployment rate, November 2009 to November 2010.

Data are not seasonally adjusted.

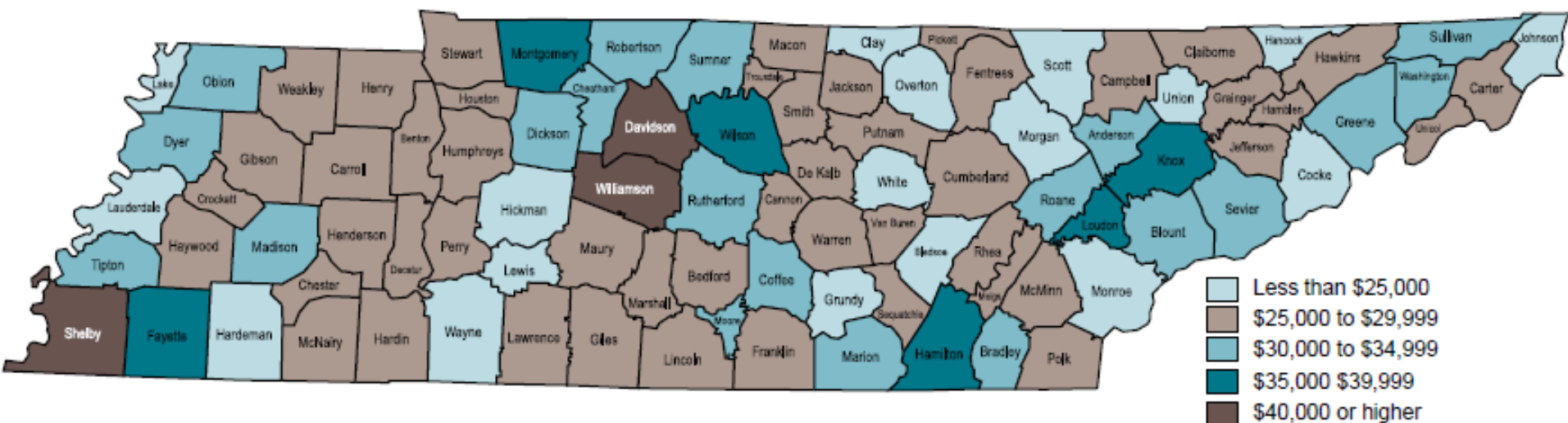
Source: Bureau of Labor Statistics.



Figure 2.5. Per Capita Personal Income is Lower Than the U.S. Average in Most Counties

Tennessee: \$34,833

U.S.: \$40,673



Note: Annual data for 2008 in current dollars.

Source: Bureau of Economic Analysis.

*A salary of **\$40,673** in Washington, District of Columbia could decrease to **\$24,795** in Kingsport, Tennessee



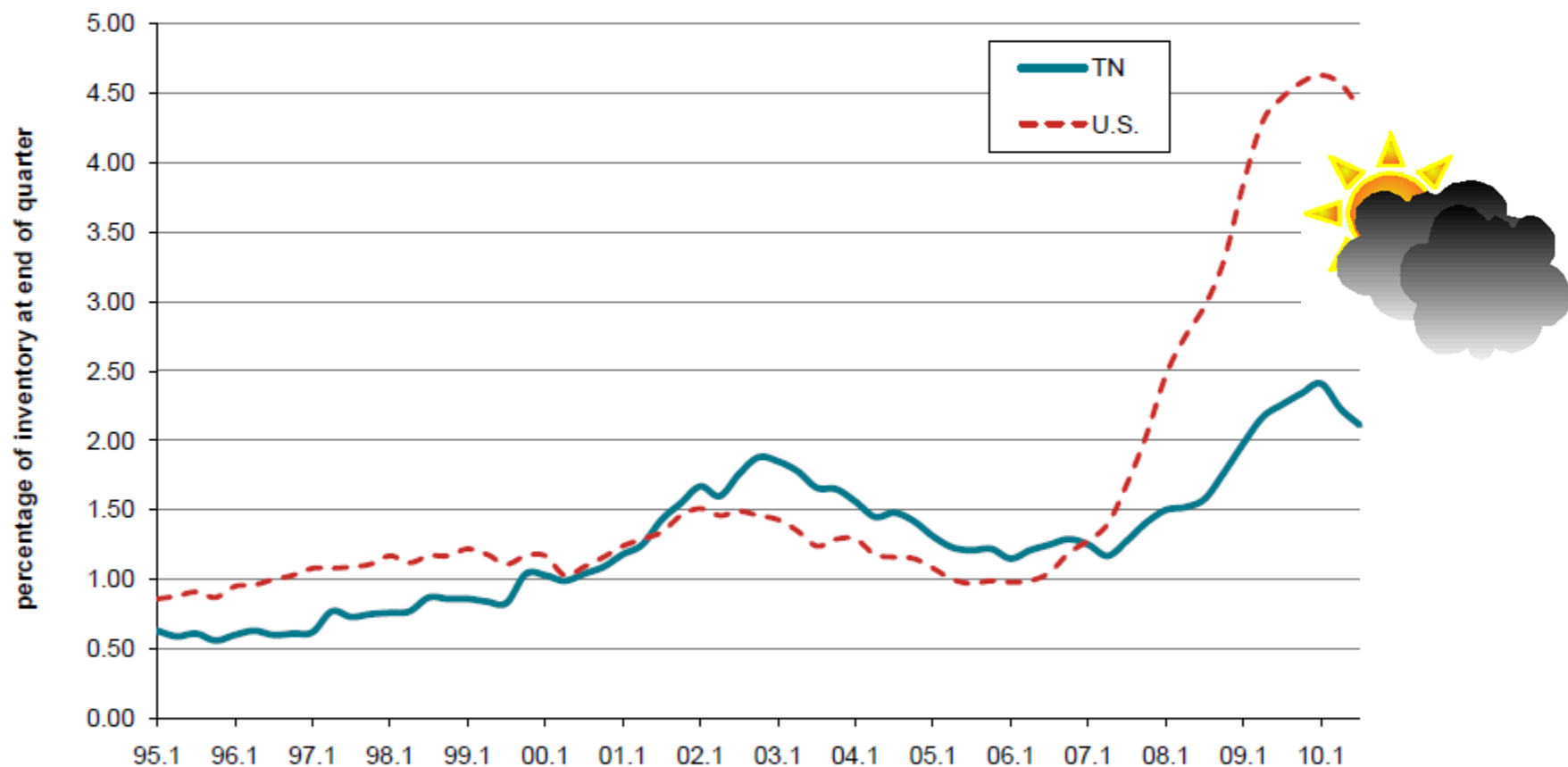


Legend:

- Up to 10.0%
- 10.1% to 13.3%
- 13.4% to 19.2%
- 19.3% to 27.5%
- 27.6% to 50.2%

Source: U.S. Census Bureau, 2005-2009 American Community Survey 5-Year Estimates.

Figure 2.8. Loans In Foreclosure Finally Beginning to Slow



Source: Mortgage Bankers Association. National Delinquency Survey

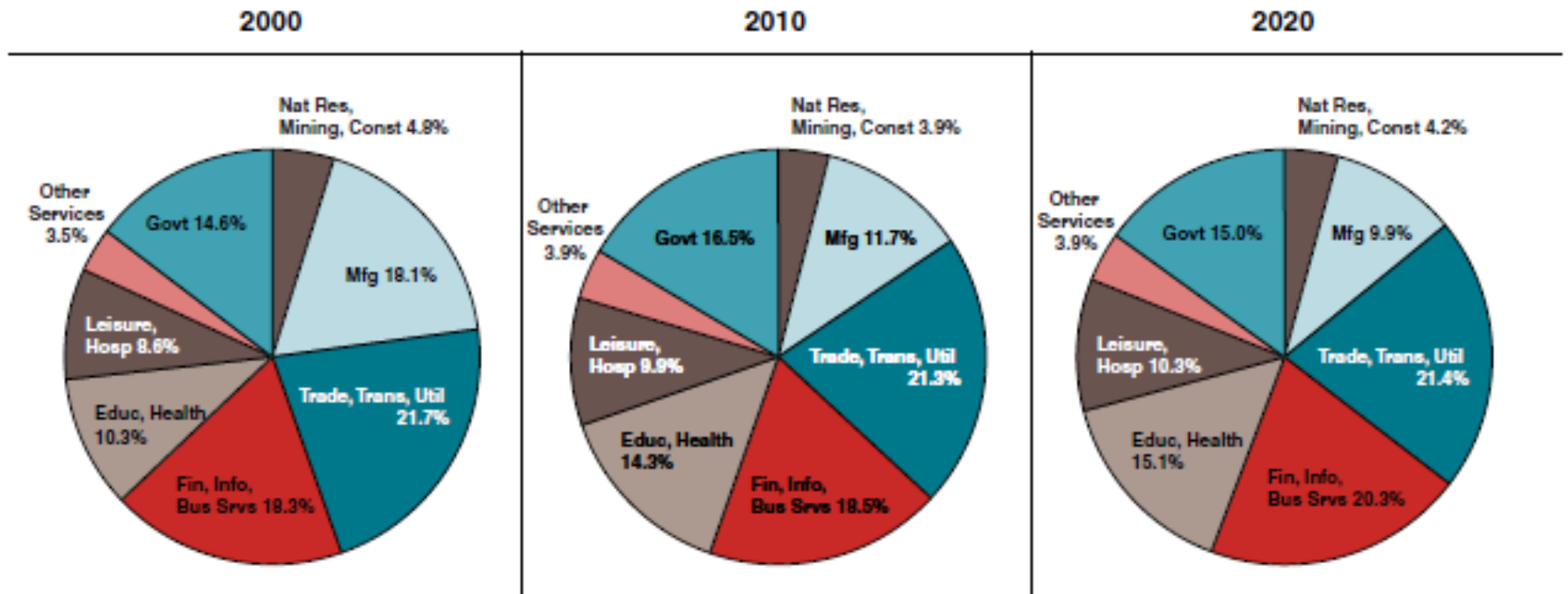
Housing Price Index

	Last Year	Last Quarter	This Quarter	% Change Quarter to Quarter	% Change Year to Year	Date
Chattanooga MSA	140.6	142.2	141.1	- 0.8	0.4	2010Q4
Clarksville MSA	146.1	144.7	143.6	- 0.8	- 1.7	2010Q4
Cleveland MSA	138.3	140.6	135.7	- 3.5	- 1.9	2010Q4
Jackson MSA	118.3	118.3	115.3	- 2.6	- 2.5	2010Q4
Johnson City MSA	148.3	149.3	149.4	0.1	0.7	2010Q4
Kingsport-Bristol MSA	149.3	148.1	150.1	1.3	0.5	2010Q4
Knoxville MSA	146.9	146.2	145.9	- 0.2	- 0.7	2010Q4
Memphis MSA	118.6	118.3	115.7	- 2.2	- 2.4	2010Q4
Morristown MSA	140.4	137.3	134.8	- 1.8	- 4.0	2010Q4
Nashville MSA	139.0	139.1	138.3	- 0.6	- 0.6	2010Q4
Tennessee	137.1	137.2	135.8	- 1.0	- 1.0	2010Q4



Data: Federal Housing Finance Agency. Not seasonally adjusted.

Figure 3.2. Distribution of Nonfarm Jobs in Tennessee Continues to Evolve

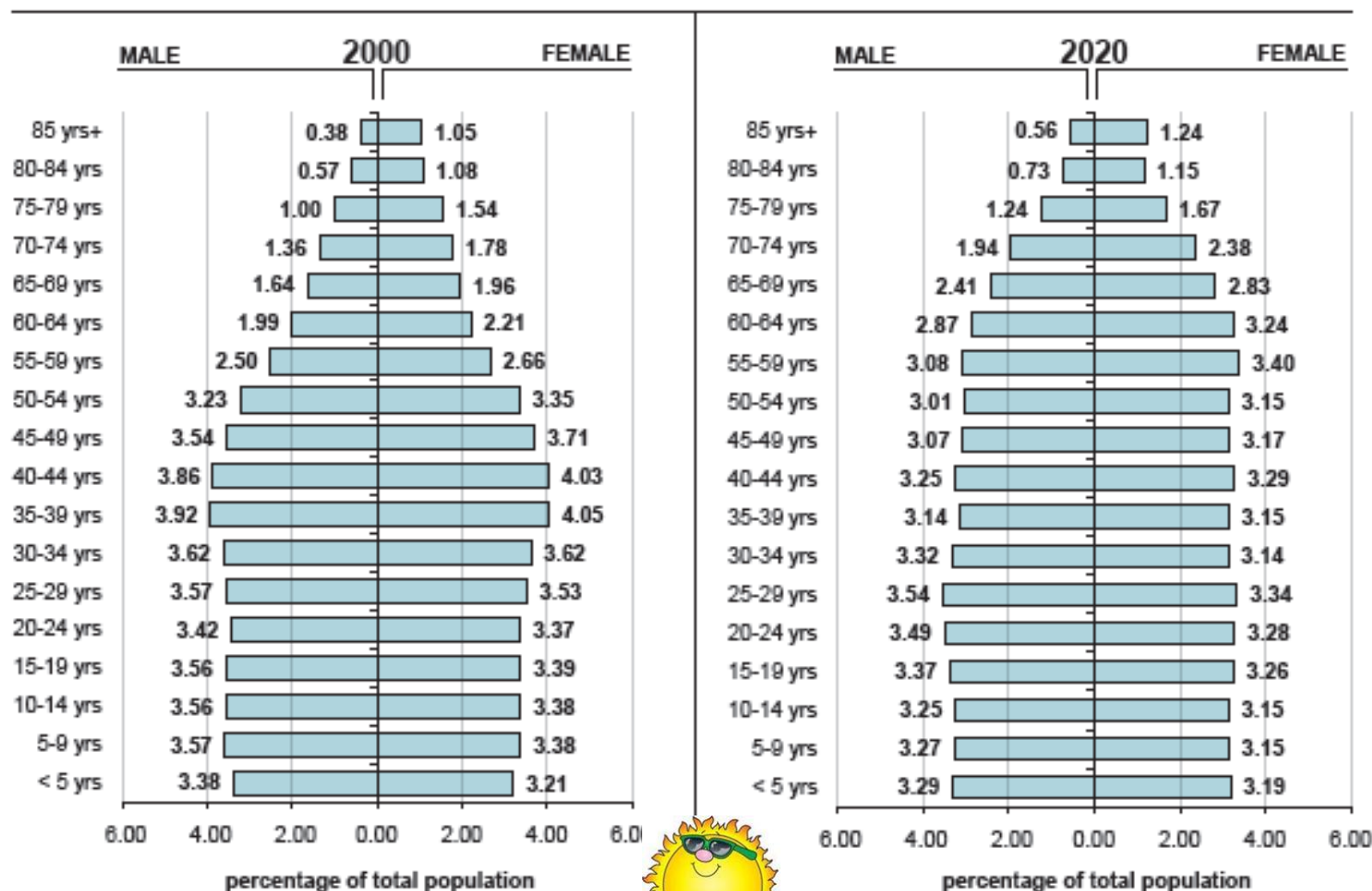


Source: Bureau of Labor Statistics and CBER-UT.

Kingsport-Bristol MSA

Manufacturing	2000 = 26%	2011 = 18%
Education/Healthcare	2000 = 11%	2011 = 16%

Figure 3.5. Tennessee's Population is Aging

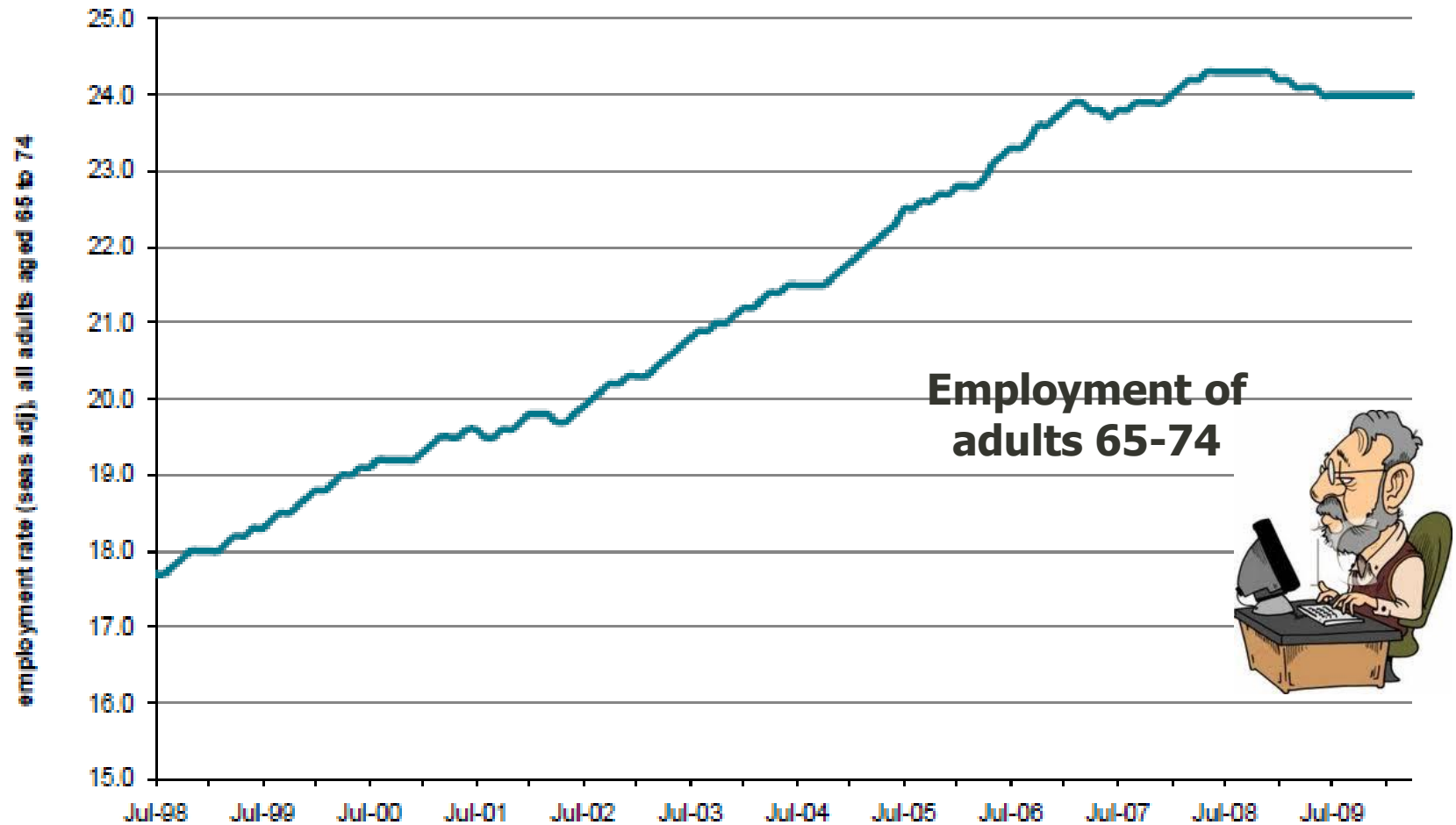


Source: U.S. Census Bureau and CBER-UT



Baby Boomers drive the economy

Figure 3.6. Employment Rate of the Aged Has Steadily Grown



Source: U.S. Census Bureau, Current Population Survey.



Report to the Governor – Feb 2011

Tennessee Short Term Outlook

- ▶ Tennessee's economy enjoyed its strongest showing since the onset of the recession.
- ▶ Growth was admittedly sluggish compared to previous post-recession expansions, but there was nonetheless something good to talk about for a change.
- ▶ Tennessee's manufacturing sector experienced another 1.8 percent loss in employment in 2010 on the heels of a 14.2 percent withering in 2009.
- ▶ Inflation-adjusted personal income, which fell 1.7 percent in 2009, rebounded with 2.3 percent growth last year.
- ▶ As the economy has showed signs of renewed strength, so too have sales tax collections, having advanced for nine consecutive months.
- ▶ Most measures of economic activity—including employment and taxable sales—remain well below their pre-recession peaks.



Report to the Governor – Feb 2011

Tennessee Long Term Outlook

- ▶ Some measures of economic activity (like the unemployment rate) will take years to recover, while others (such as housing starts) may not fully rebound even by the end of the decade.
- ▶ While the economic outlook to 2020 is largely positive, the national and state economies will undergo a slow and long period of adjustment and transformation in the years ahead.
- ▶ Many of the jobs in greatest demand today simply did not exist 10 years ago within Tennessee.
- ▶ Manufacturing will see some modest gains in employment in 2011, 2012 and 2013, but these gains will not erase the losses experienced over the course of the recession.
- ▶ Professional and business services along with health and education services are expected to realize the strongest rate of job growth over the long-term horizon.



Tri-Cities Labor Market

4Q 2010 (released Feb 2011)

- ▶ Labor market performance in the three cities finished the year on a very strong note.
- ▶ On a year-to-year basis, employment grew 4.8% in Kingsport, 4.0% in Johnson City, and 3.9% in Bristol.
- ▶ Jobless levels declined 14.4% in Kingsport, 10.7% in Bristol, and 8.6% in Johnson City.
- ▶ The rate of unemployment was 7.8% in Kingsport 8.1% in Bristol, , and 8.3% in Johnson City (compared to over nine percent in all three cities in the same period in 2009).
- ▶ The 2010 annual data for each city reflects the regional trends, with modest growth in employment and a drop in unemployment for the first time in two years. Jobless levels are still high in each city.



Source: ETSU Bureau of Economic Research



Tri-Cities Retail Market

4Q 2010 (released March 2011)

- ▶ During the fourth quarter, retail activity increased in all three cities for the first time since 2007.
- ▶ On a year-to-year basis, retail sales revenues were up 6.7% in Kingsport, 3.9% in Johnson City, and 2.6% in Bristol.
- ▶ Adjusted for inflation, sales volume rose an impressive 5.3% in Kingsport, with smaller gains of 2.6% in Johnson City, and 1.3% in Bristol.
- ▶ In comparison, real sales increased 4.3% in the metro area, 2.5% in Tennessee, and 6.2% in the nation as a whole.



The Local Outlook



Metro Unemployment – January 2011

<http://www.bls.gov/news.release/pdf/metro.pdf>



- ▶ 7.5% Roanoke, VA
- ▶ 7.8% Lynchburg, VA
- ▶ 8.0% Blacksburg-Christiansburg-Radford, VA
- ▶ 8.2% Knoxville, TN
- ▶ 8.6% Greenville-Mauldin-Easley, SC
- ▶ 8.8% Nashville-Murfreesboro-Franklin, TN
- ▶ 8.9% Kingsport-Bristol, TN-VA
- ▶ 8.9% Asheville, NC
- ▶ 9.1% Chattanooga, TN-GA
- ▶ 9.4% Charleston, WV
- ▶ 9.4% Lexington-Fayette, KY
- ▶ 9.5% Johnson City, TN
- ▶ 10.0% Huntington-Ashland, WV-KY
- ▶ 10.1% Jackson, TN
- ▶ 10.1% Winston-Salem, NC
- ▶ 10.2% Cleveland, TN
- ▶ 10.4% Spartanburg, SC
- ▶ 10.4% Memphis, TN-MS-AR
- ▶ 10.8% Danville, VA
- ▶ 10.9% Greensboro-High Point, NC
- ▶ 11.0% Clarksville, TN-KY
- ▶ 11.1% Louisville-Jefferson, KY-IN
- ▶ 12.1% Morristown, TN
- ▶ 12.8% Hickory-Lenoir-Morganton, NC

Tennessee Department of Labor & Workforce Development

January 2011

http://www.tennessee.gov/labor-wfd/labor_figures/jan2011county.pdf

Lowest County Unemployment Rates

<u>Rank</u>	<u>County</u>	<u>Jan. pre. Rate (%)</u>
1	Williamson Co.	6.7
2	Lincoln Co.	6.8
3	Knox Co.	7.5
4	Sullivan Co.	8.4
5	Roane Co.	8.5
6	Wilson Co.	8.5
7	Washington Co.	8.6
8	Davidson Co.	8.6
9	Hamilton Co.	8.7
10	Loudon Co.	8.7



Highest County Unemployment Rates

<u>Rank</u>	<u>County</u>	<u>Jan. pre. Rate (%)</u>
95	Scott Co.	23.2
94	Pickett Co.	18.4
93	Marshall Co.	16.0
92	Cocke Co.	15.9
91	Lauderdale Co.	15.8
90	Lewis Co.	15.5
89	Johnson Co.	15.2
88	Perry Co.	15.0
87	Haywood Co.	15.0
86	Henderson Co.	15.0

County Unemployment Rate Range: January, 2011

Rate is less than 5.0% in 0 counties

Rate is 5.0% or greater, but less than 10.0% in 20 counties

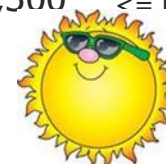
Rate is 10.0% or greater in 75 counties

Rate is 20.0% or greater in 1 county

Employment in Kingsport, TN-VA MSA

	January 1990	% of All Jobs	January, 2011	% of All Jobs	Change (Jan 1990- Jan 2011)
Trade, Transportation and Utilities	22,900	21.60%	23,700	20.56%	800
Manufacturing	36,300	34.25%	20,700	17.95%	-15,600
Education and Health Services	10,000	9.43%	18,400	15.96%	8,400
Government	12,600	11.89%	16,200	14.05%	3,600
Leisure and Hospitality	6,500	6.13%	11,000	9.54%	4,500
Professional and Business Services	6,200	5.85%	8,400	7.29%	2,200
Mining, Logging, Construction	3,100	2.92%	6,400	5.55%	3,300
Financial	3,100	2.92%	4,300	3.73%	1,200
Other Services	3,400	3.21%	4,000	3.47%	600
Information	1,900	1.79%	2,200	1.91%	300
TOTAL	106,000	100.00%	115,300	100.00%	9,300

<= Net New Jobs



Source: http://www.bls.gov/eag/eag.tn_kingsport_msa.htm

updated March 23, 2011

CITY OF KINGSPORT	2006	2010	2011	Change (between 2006 and latest available data)	Change 2010-2011
Unemployment Rate*	8.2%	11.8%	9.6%	1.4%	-2.2%
Construction Value****	\$ 88,560,394	\$ 68,017,382	n/a	-23.2%	
Population	44,758	48,205	49,758	7.7%	
Labor Force*	18,730	18,890	19,560	4.4%	3.5%
Employed*	17,200	16,670	17,680	2.8%	6.1%
Not in labor force	26,028	29,315	30,198	12.6%	
Sales Tax Collections***	\$ 10,565,546	\$ 10,535,185	\$ 10,913,036	-0.3%	3.6%

Unemployment (U.S., State, Metro & County Data)*	2006	2010	2011	Change 2006-2011	Change 2010-2011
Greene County	9.1%	16.6%	13.2%	4.1%	-3.4%
Hawkins County	6.4%	12.2%	9.6%	3.2%	-2.6%
Morristown, City of	9.6%	14.0%	12.1%	2.5%	-1.9%
Sullivan County	5.0%	10.3%	8.4%	3.4%	-1.9%
Tennessee, State of	5.1%	11.5%	9.8%	4.7%	-1.7%
Maryville, City of	8.5%	10.4%	8.8%	0.3%	-1.6%
Kingsport-Bristol MSA	5.1%	10.4%	8.8%	3.7%	-1.6%
Tri-Cities CSA	5.2%	10.5%	9.1%	3.9%	-1.4%
Bristol (TN), City of	5.7%	9.6%	8.3%	2.6%	-1.3%
Washington County	4.7%	9.8%	8.6%	3.9%	-1.2%
Johnson City MSA	5.2%	10.7%	9.5%	4.3%	-1.2%
Johnson City, City of	4.9%	9.5%	8.3%	3.4%	-1.2%
Carter County	5.7%	11.6%	10.7%	5.0%	-0.9%
Oak Ridge, City of	4.5%	9.1%	8.4%	3.9%	-0.7%
U.S. unemployment	5.7%	10.6%	10.2%	4.5%	-0.4%
Cleveland, City of	8.5%	10.5%	10.2%	1.7%	-0.3%

*Month of January 2011 (released in March 2011)

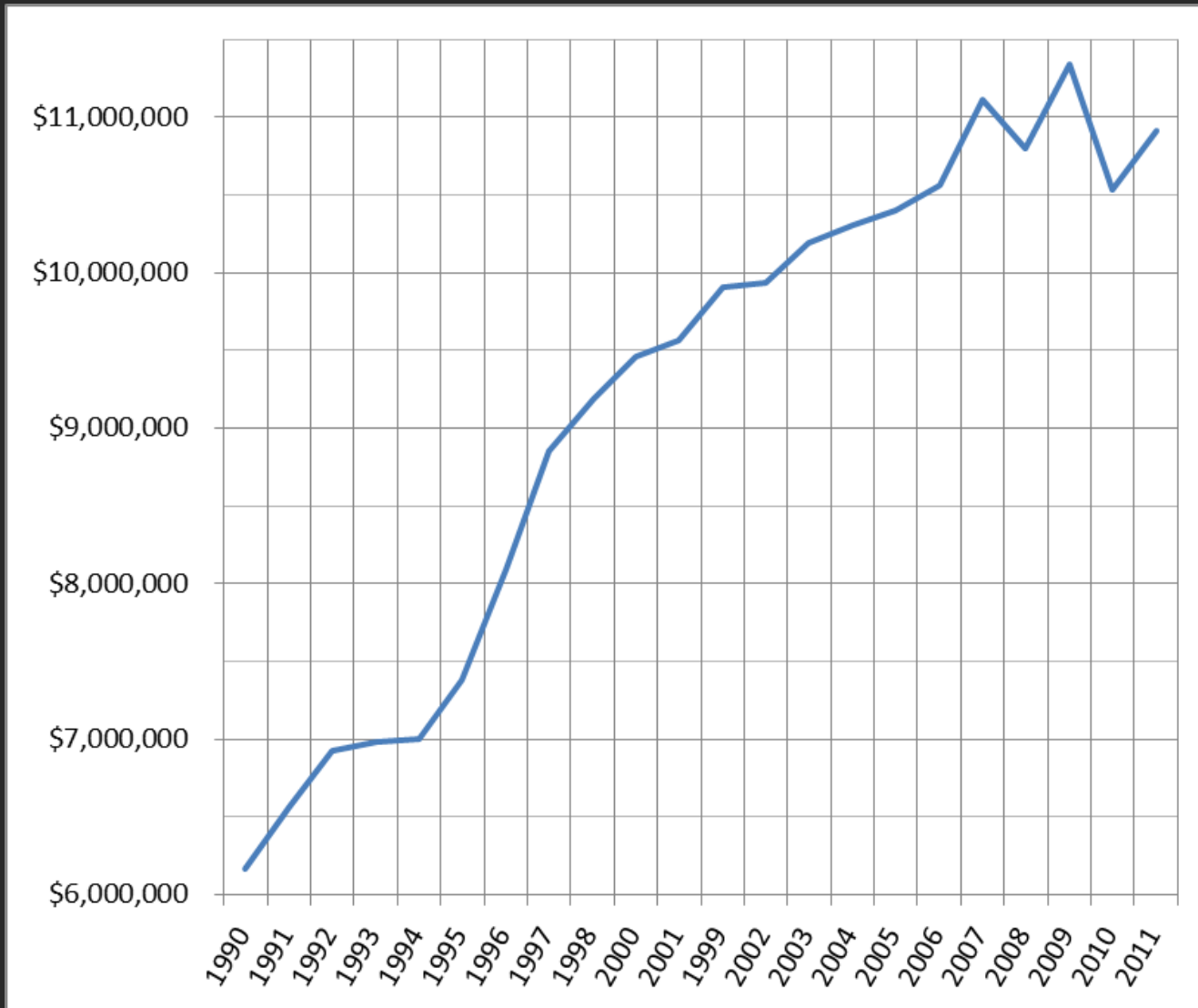
**Available in July of following year

***City of Kingsport Finance Department, Fiscal Year to Date (July-March)

****As reported on Building Permits

Kingsport Retail Sales Tax Collections

July-March YTD 1990-2011



Source: City of Kingsport Finance Department, March, 2011

Results: 5-Year House Price Appreciation

Source: FHFA.gov 4th Quarter 2010

+13.45% Kingsport-Bristol, TN-VA

+9.66% Greenville-Mauldin-Easley, SC

+9.50% Roanoke, VA

+8.92% Augusta-Aiken, GA-SC

+8.90% Asheville, NC

+8.81% Knoxville, TN

+8.04% Nashville-Murfreesboro-Franklin, TN

+5.49% Charlotte-Gastonia-Rock Hill, NC-SC

+5.48% Chattanooga, TN

+4.92% Lexington, KY

+3.87% Spartanburg, SC

-2.66% Memphis, TN-MS-AR

-5.24% Myrtle Beach-North Myrtle Beach-Conway, SC

-34.02% Detroit-Livonia, MI

-37.99% Fort Lauderdale-Pompano Beach-Deerfield Beach, FL

-51.18% Las Vegas-Paradise, NV

Conclusion



- ▶ Tennessee enjoyed its strongest showing since the onset of the recession.
- ▶ Growth was admittedly sluggish compared to previous post-recession expansions, but there was nonetheless something good to talk about for a change
- ▶ Some measures of economic activity (like the unemployment rate) will take years to recover, while others (such as housing starts) may not fully rebound even by the end of the decade.



- ▶ Retail outlook for the Tri-Cities area continues to be positive.
- ▶ Strong employment growth so more people are receiving paychecks
- ▶ Labor market recovery continues to strengthen and deepen.



- ▶ Unemployment is down. Sullivan County is 4th best in Tennessee
- ▶ Retail sales are rebounding. Kingsport is performing better than regional peers.
- ▶ House price appreciation is relatively strong.
- ▶ Housing starts and new construction activity are still soft. Lending is tight.

Life's highway.

"As we were driving, we saw a sign that said "Watch for Rocks."
Marta said it should read "Watch for Pretty Rocks."



...it's all about your perspective. Take time to enjoy the ride...no matter what the weather forecast may be